

Message Text

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TO SECSTATE WASHDC VIA POUCH

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C O N F I D E N T I A L QUITO 7662

E.O. 11652: GDS

TAGS: EINV, ENRG, EC

SUBJECT: OIL OPERATIONS IN ECUADOR: CURRENT STATUS AND PROSPECTS

1. BEGIN SUMMARY: RECENTLY- APPOINTED MINISTER OF NATURAL RESOURCES, JAIME DUENAS, HAS MADE MANY ENCOURAGING ANNOUNCEMENTS ABOUT MINISTRY PLANS TO INCREASE PETROLEUM EXPLORATION, AND HIS STAFF IS NOW CONSIDERING EXTENSIVE REVISIONS IN THE HYDRO-CARBONS AND TAX LAWS. WHILE THERE HAVE AS YET BEEN NO ACTUAL CHANGES IN THE LAW, FOREIGN OIL COMPANIES ARE NOW AT LEAST EXPRESSING INTEREST IN EXPLORING IN ECUADOR, AFTER OVER TWO YEARS OF INTENSE DISINTEREST. WE BELIEVE THE SUCCESS OF DUENAS' EFFORTS TO ATTRACT MORE EXPLORATION FIRMS INTO ECUADOR WILL DEPEND LARGELY ON THE EXTENT TO WHICH HE RESOLVES THE PROBLEMS THAT VARIOUS GOE POLICIES AND PRACTICES HAVE BEEN CAUSING FOR TEXACO-GULF'S OPERATIONS IN ECUADOR. BECAUSE OF THESE PROBLEMS, TEXACO-GULF HAS ALLOWED ITS WELLS AND OTHER PRODUCTION FACILITIES AND THE TRANS-ECUADOREAN PIPELINE TO DETERIORATE TO SUCH AN EXTENT THAT, EVEN IF THE GOE PROMPTLY PROVIDES RELIEF FROM THE PROFIT SQUEEZE, SEVERAL MONTHS WOULD PASS BEFORE THE RELIEF WOULD BE CONFIDENTIAL

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REFLECTED IN INCREASED PRODUCTION. END SUMMARY.

2. PROBLEMS OF TEXACO-GULF -- IMPACT ON OIL PRICES, PRODUCTION, EXPORTS.

A. TEXACO-GULF'S ROOT PROBLEMS REGARDING THE GOE REMAIN (A) HIGH TAXES AND OTHER CHARGES, AND (B) UNFULFILLED PAYMENTS DUE FROM THE GOE. THESE PROBLEMS HAVE LED TO A PROFIT SQUEEZE WHICH IS DISCOURAGING TEXACO-GULF FROM MAINTAINING PRODUCTION AND THE PIPELINE AND FROM UNDERTAKING FURTHER EXPLORATION IN ECUADOR. MOREOVER, PROBLEM (A) HAS MADE ECUADOR'S OIL PRICE UNCOMPETITIVE IN TEXACO-GULF'S MARKETS--AND THIS RESTRAINT ON THE CONSORTIUM'S SALES IS FURTHER SQUEEZING ITS PROFITS.

B. TEXACO-GULF CLAIMS THAT THE DROP IN PRICE EFFECTED LAST JULY 9 MADE ECUADOREAN OIL ONLY marginally competitive in the CARIBBEAN MARKET. (THE PRICE REMAINED CONSTANT FOR ECUADOR'S TWO OTHER MAIN MARKETS--THE WEST COAST OF SOUTH AMERICA AND THE WEST COAST OF THE UNITED STATES.) THE GOVERNMENT SAID THE PRICE DROPPED 43 CENTS PER BARREL; THE ACTUAL DECLINE WAS BETWEEN 46 AND 47 CENTS, A FACT OBFUSCATED BY THE GOE'S PETROLEUM TAX SYSTEM. THE TWO COMPANIES STILL CLAIM THEIR TAX-PAID COST TO BE SOME 20 CENTS A BARREL HIGHER THAN THE GOE ESTIMATE OF \$10.41 A BARREL FOR THE CARIBBEAN MARKET. (THE GOE STILL REFUSES TO INCLUDE IN COST CALCULATIONS APPROXIMATELY 16 CENTS PER BARREL FROM THE 86 PERCENT TAX ON THE NORSAL-PHOENIX PAYMENT--SEE QUITO 4747--AND VARIOUS OTHER HIDDEN COSTS AND TAXES.)

C. THE JULY 9 PRICE DROP DID LEAD IN JUST A FEW WEEKS TO A STRONG UPTURN IN OUTPUT AND EXPORTS, FROM JULY'S DAILY AVERAGES OF 145,000 AND 105,000 BARRELS PER DAY, RESPECTIVELY, TO 215,000 AND 170,000 IN AUGUST (PRELIMINARY ESTIMATES). THE COMPANIES MAINTAINED EXPORTS AT APPROXIMATELY THE AUGUST RATE DURING THE FIRST TWO WEEKS IN SEPTEMBER, BUT, FOR REASONS NOT YET CLEAR TO US, EXPORTS FELL OFF 51 PERCENT IN THE THIRD WEEK IN SEPTEMBER (94,389 BPD) BUT RECOVERED DURING THE LAST WEEK IN SEPTEMBER.

\$. WE ASSUME THE COMPANIES ARE CORRECT IN SAYING
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ECUADOREAN OIL IS ONLY marginally competitive. TEXACO EXECUTIVES CLAIM THE COMPANY CAN PURCHASE CRUDE 50 CENTS A BARREL CHEAPER FROM OTHER SOURCES. BUT THE MARKETING OF ECUADOREAN CRUDE IS SUCH THAT TEXACO FREQUENTLY SELLS TO ITSELF FOR ITS CARIBBEAN REFINERIES, AND GULF ALSO SELLS TO ITSELF ON A TRADE-OUT AGREEMENT; SINCE SALES ARE INTERNAL COMPANY TRANSACTIONS, WE (AND THE GOE) HAVE NO CONCEPT OF TEXACO'S OR GULF'S DOWNSTREAM PROFITS, AND THUS HAVE NO BASIS TO EVALUATE THE COMPANIES' CLAIM THAT ECUADOR'S OIL IS ONLY marginally competitive in the CARIBBEAN MARKET.

3. WE DO KNOW THAT CEPE IS NO LONGER PRICE-COMPETITIVE

IN ITS CHILE AND PERU MARKETS, WHERE CRUDE WAS SOLD AT PRE-JULY 9 PRICES. THESE COUNTRIES NEVERTHELESS CONTINUED TO PURCHASE HIGH-PRICED ECUADOREAN CRUDE AFTER JULY 9 PRICE DECREASE FOR THE CARIBBEAN BECAUSE CEPE SALES TO THEM WERE FINANCED AT 180 DAYS' CREDIT WHEREAS SAUDI ARABIA'S (AND PROBABLY OTHER SUPPLIERS') SALES ARE AT 50 DAYS' CREDIT, AND BECAUSE CHILE AND PERU WISHED TO DIVERSIFY SOURCES OF SUPPLY. HOWEVER, CEPE SALES TO CHILE AND PERU HAVE NOW BEEN SUSPENDED PENDING PRICE RENEGOTIATIONS. CEPE AND ITS PURCHASERS HAVE NOT YET REACHED AGREEMENT ON NEW PRICE FOR CHILE-PERU MARKET. THE PRICE LIKEWISE REMAINED AT THE PRE-JULY 9 LEVEL FOR THE RELATIVELY SMALL AND GULF-CONTROLLED US WEST-COAST MARKET.

F. TEXACO-GULF OFFICIALS HOLD UP CEPE AS AN EXAMPLE OF THE UNPROFITABILITY OF DOING BUSINESS IN ECUADOR. CEPE WILL NOT OR CANNOT AFFORD TO PAY TEXACO-GULF SOME \$12 MILLION FOR CEPE'S 25 PERCENT SHARE OF OPERATING COSTS AND SOME \$3.5 MILLION FOR CEPE'S SHARE OF THE CONSORTIUM ITSELF, DESPITE THE HIGH PRICES CEPE WAS OBTAINING IN CHILE AND PERU, AND DESPITE AN OBSCURE REVISION OF CEPE'S TAX STRUCTURE WHICH ALLOWS A 28 PERCENT GUARANTEED BEFORE-TAX RETURN ON EVERY BARREL OF OIL. (CEPE'S MANAGER HAS PUBLICLY AND INCORRECTLY CLAIMED THAT CEPE IS SUBJECT TO THE SAME TAXES AS TEXACO-GULF.) AMERICAN PETROLEUM EXECUTIVES CLAIM THAT DESPITE THE ESPECIALLY FAVORABLE CONDITIONS APPLYING FOR CEPE, THIS STATE CORPORATION IS LOSING MONEY. BUT IN ANY CASE, CEPE IS NOT HURTING AS SORELY AS THE CONFIDENTIAL

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PRIVATE COMPANIES.

G. THE INCREASED PRODUCTION RATE OF TEXACO-GULF SOON AFTER THE JULY 9 PRICE DROP WOULD SEEM TO SUPPORT THE GOE'S CLAIM THAT THE OIL IS NOW PRICE-COMPETITIVE IN THE CARIBBEAN; BUT WE SUSPECT THE PRODUCTION INCREASE WAS INSTEAD DUE TO TEXACO INTERNATIONAL'S ATTEMPT TO INCREASE CRUDE INVENTORIES ON A WORLDWIDE BASIS BEFORE THE OPEC MEETING WHICH WAS TO RAISE OIL PRICES. TEXACO-GULF HAS HINTED THAT PRODUCTION WOULD NOT BE MAINTAINED AT THE AUGUST DAILY AVERAGE OF 215,000 B.P.D. BECAUSE OF CEPE'S CONTINUED FAILURE TO PAY ITS SHARE OF OPERATING EXPENSES.

3. GOE EFFORTS TO ACCOMMODATE TEXACO-GULF: STATUS AND PROSPECTS.

A. REGARDING THE GOE'S PETROLEUM TAX SYSTEM, THE COMPANIES HAVE REPEATEDLY ASKED FOR A THOROUGH-GOING OVERHAUL, AND THE GOE HAS INDICATED IT IS WORKING ON SIGNIFICANT REVISIONS. REGARDING CEPE'S DEBT OF ABOUT \$3.5 MILLION FOR ITS 25 PERCENT PARTICIPATION IN THE TEXACO-GULF CONSORTIUM, AN AUDIT IS NOW BEING CONDUCTED TO VERIFY THE

PRECISE AMOUNT DUE, AND THE GOE HAS INDICATED THAT PAYMENT WILL BE MADE PROMPTLY AFTER THE VERIFICATION. REGARDING CEPE'S \$12 MILLION OR SO LAG IN ITS PAYMENT OF OPERATING COSTS, THE EMBASSY UNDERSTANDS THAT THE GOE IS NOW NEGOTIATING A LOAN OF \$12 MILLION FROM FIRST NATIONAL CITY BANK TO PAY OFF THEIR DEBT. REGARDING THE GOE'S FAILURE TO REIMBURSE TEXACO-GULF FOR THE GOE'S OVER-RETENTIONS OF FOREIGN EXCHANGE, THE RATE OF OVER-RETENTION WAS LOWERED APPRECIABLY LAST MAY WHEN THE FOREIGN-EXCHANGE DEPOSIT REQUIREMENT WAS LOWERED FROM A REFERENCE PRICE OF \$13.90 TO \$11.60 PER BARREL, AND A JOINT TEAM FROM TEXACO-GULF AND THE GOE MINISTRY OF NATURAL RESOURCES HAS FOR SOME TIME BEEN STUDYING THE PAST INVOICES TO DETERMINE THE AMOUNT OF THE REIMBURSEMENT TO TEXACO-GULF, WHICH THE GOE HAS AGREED IN PRINCIPLE TO PAY PROMPTLY AFTERWARD.

B. PRIMARILY, HOWEVER, TEXACO-GULF STILL MAINTAINS THEY NEEDED A DROP OF NOT MERELY THE 46-47 CENTS EFFECTED JULY 9 IN THE PRICE OF CRUDE BUT RATHER AT LEAST A FULL CONFIDENTIAL

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DOLLAR PER BARREL TO WARRANT FURTHER INVESTMENT IN THE ORIENTE. COMPANY OFFICIALS HAVE RECENTLY TOLD THE GOE UNEQUIVOCALLY THAT THE GOVERNMENT WOULD NOW HAVE TO DROP BELOW \$10 A BARREL (AT PRE-OCTOBER 1 PRICES) TO RECOUP PRIOR LOSSES ON THE ORIENTE OPERATION.

C. TEXACO-GULF BEGAN A MASSIVE COST-CUTTING PROGRAM LAST JULY; PRODUCTION FACILITIES AND PIPELINE EQUIPMENT HAVE NOW DETERIORATED TO SUCH AN EXTENT THAT ANY IMMEDIATE RELIEF FROM THE FINANCIAL SQUEEZE COULD NOT BE QUICKLY TRANSFORMED INTO PRODUCTION INCREASES. ACCORDING TO INFORMED INDUSTRY SOURCES, PRODUCTION "CAPACITY" (ACTUAL MAXIMUM PUMPING ABILITY OF THE WELLS) HAS DROPPED TO ABOUT 230,000 BARRELS A DAY FROM THE PREVIOUS LEVEL OF 250,000. THE COMPANIES ARE NOT MAINTAINING THE WELLS, AND ONLY HAVE ONE DRILLING RIG IN OPERATION AT THE SHUSHUFINDI FIELD. SIX WORKOVER AND DRILLING RIGS IN THE ORIENTE HAVE BEEN IDLE FOR A YEAR AWAITING NEW BIDS FOR DRILLING. AT SAME TIME, PIPELINE CAPACITY, THEORETICALLY 240,000 BARRELS PER DAY, HAS DROPPED TO 225,000-230,000, ALSO DUE TO LACK OF MAINTENANCE BECAUSE OF COST-CUTTING. SPARE PARTS AND MAINTENANCE EQUIPMENT HAVE NOT BEEN REORDERED FOR SEVERAL MONTHS. SHOULD LACK OF MAINTENANCE CONTINUE, REPAIR OF ANY FUTURE PIPELINE BREAKS WILL BE SLOWER THAN IN THE PAST BECAUSE OF EQUIPMENT SHORTAGES. THE GOE IS AWARE OF THE DROP IN CAPACITY IN BOTH PRODUCTION FACILITIES AND THE PIPELINE BUT HAS CHOSEN NOT TO FORCE THE ISSUE FOR THE TIME BEING.

D. WE BELIEVE THE COMPANIES COULD PRODUCE 250,000 BARRELS A DAY (WHICH TEXACO-GULF HAS CONSISTENTLY TERMED

THE MAXIMUM LEVEL) WITHIN A FEW MONTHS IF THE GOE WOULD OFFER SOME CONCRETE INCENTIVES TO INCREASE INVESTMENT IN THE ORIENTE. MINISTRY OFFICIALS HAVE DISCUSSED WITH TEXACO-GULF REVISIONS IN THE HYDROCARBONS LAW, TAX CREDITS, REFORM IN THE TAX STRUCTURE, ETC. TO DATE, HOWEVER, NO CONCRETE PROPOSALS WHATEVER HAVE BEEN MADE TO TEXACO AND GULF, AND TEXACO-GULF'S PLANS FOR \$165 MILLION IN INVESTMENT HAVE BEEN SHELVED AWAITING MINISTRY ACTION.

4. PROSPECTS FOR INCREASED INVESTMENT BY OTHER FIRMS.
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A. THE ARGENTINE STATE CORPORATION YPF BEGAN SEISMIC STUDIES LAST WEEK AFTER EXTENSIVE DALAYS ON BOTH CONTRACT NEGOTIATIONS AND PRELIMINARY STUDIES. YPF'S ACTIVITIES SHOULD BE AN ENCOURAGING INDICATOR FOR OTHER FOREIGN FIRMS INTERESTED IN EXPLORATION IN ECUADOR.

B. THE U.S. BASED CAYMAN CORPORATION HAS A \$35 MILLION INVESTMENT IN THE ORIENTE NOW TOTALLY SHUT DOWN, BUT HAS PRESENTED THE GOE WITH PLANS FOR PROPOSED INVESTMENT OF \$85 MILLION. CAYMAN IS NOW NEGOTIATING WITH THE GOE FOR REVISION OF ITS ASSOCIATION CONTRACT COUPLED WITH A COMPREHENSIVE PACKAGE OF TAX CREDITS AND PRICE REVISIONS. PRESENT CAYMAN CAPACITY IS AROUND 35,000 BARRELS PER DAY OF HEAVY CRUDE. CAYMAN MANAGEMENT IS CURRENTLY OPTIMISTIC THAT NEWLY-APPOINTED MINISTER DUENAS WILL REVISE CONTRACT TERMS TO ALLEVIATE HEAVY TAXES IN THE PRE-PRODUCTION PHASE AND THUS TRIGGER CAYMAN'S FURTHER INVESTMENT.

C. THE GOE HAS BEEN DISCUSSING PROSPECTS FOR EXPLORATION WITH OTHER FOREIGN FIRMS. DUENAS HAS LONG BEEN AN ADVOCATE OF SERVICE CONTRACTS, AND HAS PUBLICLY ANNOUNCED SEVERAL TIMES SINCE TAKING OFFICE THAT ECUADOR WILL CONSIDER EXPLORATION UNDER THIS ARRANGEMENT. THE U.S. BASED FIRM OKC IS INTERESTED IN RE-ENTERING ECUADOR WITH A SERVICE CONTRACT, AND WE BELIEVE OTHER FOREIGN FIRMS ARE EQUALLY INTERESTED IN THIS APPROACH. OKC PRESIDENT RECENTLY TOLD EMBOFFS THAT HE EXPECTS NEGOTIATIONS TO BEGIN SOON FOR A SERVICE CONTRACT WITH THE GOE. OKC BROUGHT TWO SERVICE CONTRACT EXPERTS TO ECUADOR TO DISCUSS THE COMPANY'S PROPOSAL WITH DUENAS AND HIS STAFF. SERVICE CONTRACTS WILL BE HANDLED BY INDIVIDUAL NEGOTIATIONS BETWEEN FIRMS RATHER THAN THE LETTING OF BIDS. DUENAS HAS APPARENTLY PUT OUT FEELERS TO AMOCO, AMERADA HESS, AND PHILLIPS FOR POSSIBLE NEGOTIATION OF SERVICE CONTRACTS.

D. APART FROM THE POSSIBLE NEW LURE OF SERVICE CONTRACT, MINISTRY CONTACTS HAVE TOLD EMBASSY OFFICIALS THAT REVISIONS IN THE HYDROCARBONS LAW ARE NOW BEING CONSIDERED, E.G., ELIMINATION OF THE CONFISCATORY TAXES IN THE PRE-EXPLORATION PHASE WHICH HAVE EFFECTIVELY DISCOURAGED

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CAYMAN AND OTHERS FROM EXPLORATION.

E. THERE MAY, HOWEVER, BE A HITCH TO DUENAS' OFT-STATED AND OBVIOUSLY SINCERE PLANS FOR INCREASING EXPLORATION--NAMELY, CEPE'S RECENTLY INCREASING INTERFERENCE IN OIL POLICY. HOPEFULLY, DUENAS WILL TAKE FIRM CONTROL OF CEPE AND ITS ERRATIC MANAGER, COL. RENE VARGAS. (THERE IS KNOWN TO BE CONSIDERABLE FRICTION BETWEEN THE MINISTRY AND CEPE, BUT THERE ARE INDICATIONS THAT PENDING REFORMS IN THE HYDROCARBONS LAW WILL INCREASE MINISTRY CONTROL OF CEPE. ONE MINISTRY OFFICIAL TOLD EMBOFF THAT CEPE IS THE ONLY COMPANY THAT IS SLUGGISH IN REPLYING TO THE MINISTRY'S MOST ROUTINE REQUESTS ON PERSONNEL AND SALARIES. MINISTRY OFFICIALS ALSO FEEL THAT CEPE OVERSTATED THE COST OF THE ONE WELL IT DRILLED, IN ORDER TO INFLATE GOE APPROPRIATIONS TO CEPE FOR FUTURE WELLS.) CEPE HAS BEEN RESERVING MANY OF THE MOST DESIRABLE AREAS FOR ITS OWN EXPLORATION, THUS LEAVING SMALLER AND LESS ATTRACTIVE AREAS AVAILABLE FOR OFFER TO PRIVATE CONCESSIONARIES. FOR EXAMPLE, MINISTRY OFFICIALS HAVE HELD OUT AS A POSSIBLE EXPLORATION AREA THE FORMER MINAS AND PETROLEOS CONCESSION (TIVACUNA, SOUTHEAST OF THE PRESENT TEXACO-GULF CONCESSION) TO AT LEAST TWO AMERICAN OIL COMPANIES, A CONCESSION WHICH HAS FIVE CAPPED WELLS AND HAS PROVEN POTENTIAL FOR DEVELOPMENT; BUT EMBASSY OFFICERS WERE TOLD BY AMERICAN OIL COMPANY OFFICIALS THAT CEPE HAS BEEN WORKING UP PLANS TO DRILL THIRTY-FIVE WELLS ON THIS CONCESSION. CEPE TO DATE HAS ONLY DRILLED ONE WELL (ACTUALLY DRILLED BY CAYMAN, ON A COST-PLUS BASIS). CEPE MAY HAVE AMBITIOUS PLANS BUT IT HAS NEITHER THE TECHNICAL CAPACITY NOR THE MONEY AT THIS TIME TO REALIZE ITS DRILLING SCHEMES. VARGAS IS INTENSELY DISLIKED BY MANY AMERICAN OIL COMPANY OFFICIALS, AND HE DOES NOT HIDE HIS RESENTMENT OF FOREIGN OIL COMPANIES.

5. PROSPECTS FOR MORE OIL IN ECUADOR.

A. THE EXTENT OF FUTURE OIL RESERVES IS THE BIG UNKNOWN IN THE PETROLEUM PICTURE. THE COMPANIES ARGUE THAT THEY MUST INCREASE THEIR RATE OF RETURN TO AMORTIZE THE INVESTMENT QUICKLY, THIS DEPLETING PRESENTLY-KNOWN STRUCTURES. RESERVES FROM PRESENTLY-KNOWN STRUCTURES
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ARE ABOUT 1.3 BILLION BARRELS. FORMER MINISTER OF NATURAL RESOURCES SALAZAR EMPHASIZED IN HIS SPEECH OF JULY 17 THAT PROJECTIONS OF DECLINE IN RESERVES MAKE IT IMPERATIVE THAT EXPLORATION AND EXPLOITATION IN THE ORIENTE BE IMMEDIATELY INCREASED.

B. HOW MUCH OIL REALLY REMAINS IN THE ORIENTE? THIS QUESTION IS A SUBJECT OF ENDLESS DISCUSSION AMONG COMPANY AND GOVERNMENT OFFICIALS. TEXACO-GULF OFFICIALS HAVE PRIVATELY STATED TO EMBOFFS THAT THERE IS LITTLE REMAINING OIL TO BE DISCOVERED IN THE ORIENTE. THE MINISTRY'S PRODUCTION CHIEF, HOWEVER, HAS TOLD US THAT SOME OF THE MINISTRY'S PRELIMINARY STUDIES INDICATE A BILLION

BARRELS OF HEAVY CRUDE NEAR THE PRESENT CAYMAN

CONCESSION AT THE COMMERCIALY EXPLOITABLE DEPTH OF 3,000 TO 4,000 FEET ALTHOUGH THERE ARE NUMEROUS TECHNCIAL

PROBLEMS IN PRODUCING AND PUMPING HEAVY CRUDE. MINISTRY OFFICIALS ARE DRAWING UP PLANS TO OFFER INCENTIVES SPECIFICALLY DIRECTED TOWARD HEAVY CRUDE DEVELOPMENT. THERE ARE ALSO PERSISTENT RUMORS OF OFFSHORE RESERVES OFF THE MANABI COAST, SOME HUNDRED MILES NORTH OF GUAYAQUIL. THE ASSISTANT MANAGER OF TEXACO, RENE BUCARAM, MENTIONED THE OFFSHORE RESERVES IN A PUBLIC SPEECH, AND THEIR EXISTENCE IS GENERAL KNOWLEDGE IN THE OIL INDUSTRY. THE RESERVES ARE IN THE HIGH SEAS, UNDER ABOUT 1,000 FEET OF WATER. ALTHOUGH THE TECHNOLOGY HAS LONG EXISTED, IT HAS NOT YET COME TO ECUADOR, AND THESE RESERVES ARE NOT YET COMMERCIALY EXPLOITABLE. THE MINISTRY OF NATURAL RESOURCES ESTIMATES THAT PRODUCTION AT THE 210,000 BARREL RATE CAN BE SUSTAINED UNTIL 1981, PRODUCTION WILL THEN DECLINE AT A RATE OF 5.2 PERCENT A YEAR. WITHOUT NEW INVESTMENT AND A 10 PERCENT ANNUAL INCREASE IN DOMESTIC CONSUMPTION, ECUADOR WOULD BE A NET IMPORTER OF PETROLEUM BY 1990. THE MINISTRY ALSO ESTIMATES THAT DEVELOPMENT (THE TEXACO-GULF PROPOSED INVESTMENT OF \$165 MILLION) OF PRESENTLY KNOWN AND "PROBABLE" STRUCTURES WILL INCREASE PRESENT RESERVES
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BY 2.5 MILLION BARRELS, BUT EXTENSIVE AND EXPENSIVE EXPLORATION WILL BE NEEDED TO DETERMINE THE EXTENT OF RESERVES ABOVE THIS MODERATE ESTIMATE.
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